

G,E-999/AA-92-1062; G,E-999/AA-93-682 ORDER ACCEPTING ANNUAL AUTOMATIC
ADJUSTMENT REPORTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
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In the Matter of the Review of 1992 Automatic
Adjustment of Charges for All Gas and Electric
Utilities

ISSUE DATE: April 7, 1994

DOCKET NO. G,E-999/AA-92-1062

In the Matter of the Review of 1993 Automatic
Adjustment of Charges for All Gas and Electric
Utilities

DOCKET NO. G,E-999/AA-93-682

ORDER ACCEPTING ANNUAL
AUTOMATIC ADJUSTMENT REPORTS

PROCEDURAL HISTORY

Under Minn. Rules, parts 7825.2390 through 7825.2920, regulated gas and electric utilities may adjust their rates between general rate cases to reflect fluctuations in the prices they pay for gas or electricity purchased for delivery to ratepayers, or for fuel purchased to generate electricity for ratepayers. These adjustments are called automatic adjustments, because they normally take effect without prior Commission approval.

Utilities using automatic adjustments are required to submit several filings on September 1 of each year, providing information on automatic adjustments made during the preceding twelve month period from July 1 to June 30. Utilities must serve notice of these filings on all parties who intervened in the utilities' last two general rate cases. Minn. Rules, part 7825.2840. The annual filings are an important element of the ongoing review of utility fuel costs conducted by the Commission and the Department of Public Service (the Department).

All Minnesota utilities subject to the annual filing requirement filed their 1992 and 1993 annual reports.¹ Those utilities are:

¹ Northwestern Wisconsin Electric Power (Northwestern) has received one year variances extending its exemption from the Annual Automatic Adjustment Report filing requirements. In 1992 the variance was granted in Docket No. E-016/M-92-1132 and, in 1993 the variance was granted in Docket No. E-016/M-93-997. These variances were granted because the reporting requirements would have been unduly burdensome considering the small number of customers Northwestern serves in Minnesota.

Dakota Electric Association
Great Plains Natural Gas Company
Northern Minnesota Utilities
Interstate Power Company (Electric Division)
Interstate Power Company (Gas Division)
Midwest Gas Company
Minnegasco, Inc.
Minnesota Power and Light Company
Northern States Power Company (Electric Division)
Northern States Power Company (Gas Division)
Otter Tail Power Company
Peoples Natural Gas Company
Western Gas Utilities, Inc.

On July 16 and November 15, 1993, the Minnesota Department of Public Service (the Department) filed its review of the utilities' 1992 and 1993 annual reports, respectively.

The Department found nothing that required further Commission attention with respect to the *electric* utilities but made several recommendations concerning individual *gas* utilities. In addition, the Department reviewed the accuracy of the utilities' monthly automatic adjustment calculations and the gas utilities' annual true-up adjustments. Overall, the Department recommended that the Commission accept the utilities' annual filings.

No party filed comments.

The matter came before the Commission on March 24, 1994.

FINDINGS AND CONCLUSIONS

I. The 1992 and 1993 Annual Automatic Adjustment Reports

In its review of the utilities' annual automatic adjustment reports, the Department concentrated on whether the monthly automatic adjustments for fuel costs were accurate and, for the gas utilities, whether the annual true-up adjustment and charges were correctly determined.

The Department performed additional analysis on over- or under-recovered amounts that were in excess of 1.5 percent of a company's fuel costs. Most over- and under-recovered fuel cost balances were attributed to weather conditions, calculation errors or changes in energy consumption.

A. Electric Utilities

The Department believes all of the electric utilities filed Annual Reports for 1991-92 and 1992-93 that comply with the filing requirements of Minnesota Rule 7825.2810. The Commission has reviewed the electric companies' filings and agrees with the Department's analysis.

Accordingly, the Commission will accept these reports. The Commission wishes to clarify, however, that in accepting these reports, the Commission neither approves or disapproves the contents of the reports or the prudence of the fuel procurement actions taken by the various utilities.

B. Gas Utilities

In its review of these companies' 1991-92 and 1992-93 Annual Reports, the Department sought to determine whether there were any systematic problems with the automatic adjustment

calculations that need attention and whether the annual true-up charges were correct. The Department noted several filing deficiencies and recommended corrective measures for some of those deficiencies.

1. Interstate

The Department noted that Interstate over-recovered its fuel costs by 3.50 percent in 1991-92 and 3.48 percent in 1992-93.

In addition, the Department found that Interstate's explanations of its fuel cost over-recovery was acceptable but that Interstate still had not complied with the Department's request that it report fuel cost and true-up information by customer class and by billing component.

The Department also found that in 1992-93, Interstate had not included the prior year's cumulative balance of over-recovered fuel costs in its true-up calculations. In addition, Interstate included gas supplier refunds in its 1992-93 true-up calculation which is not allowed by Minn. Rule 7825.2700, subpart 8.

The Commission will accept two of the Department's recommendations regarding Interstate and direct the company to

- include the previous year's balance, with a cut-off date of June 30, 1994, in the 1993-94 true-up; and
- include fuel cost and true-up information by both customer class and billing component in its 1993-94 annual fuel filing which is due on September 1, 1994.

The Department also recommended that the Company be required to

- refile a revised 1992-93 true-up and exclude the adjustment for supplier refunds. Further, Interstate should implement the revised true-up calculation immediately into its PGA; and
- in conjunction with the implementation of the revised 1992-93 true-up, submit an informational compliance filing showing that the Company appropriately refunded the amounts to ratepayers as required by Minnesota rules.

In response to a request from the Company, the Commission will defer consideration of these recommendations until the Company's request for a related variance comes before the Commission.

2. Minnegasco

In its review of Minnegasco's 1991-92 and 1992-93 filings, the Department found that Minnegasco was holding \$66,528 in supplier refunds in anticipation of receiving additional refunds. Minn. Rule 7825.2700, subpart 8, requires at least an annual return of supplier refunds to ratepayers and that the \$66,528 balance was outstanding for more than a year. Minnegasco began to make the refund to customers only after the Department brought this to the Company's attention. If it has not already done so, Minnegasco should complete any refund it has started.

The Commission finds that Minnegasco did not make the refund to ratepayers within the time period required by Minn. Rule 7825.2700, subpart 8. In these circumstances, the company will be directed to apply for a variance from the 12 month time limit imposed by Minn. Rule 7825.2700, subpart 8.

Finally, since Minnegasco will administer Midwest's next annual true-up², the Commission will direct Minnegasco to account separately for the recovery/return of Midwest's Minnesota 1993-94 true-up in its next Annual Automatic Adjustment Report.

3. Northern Minnesota Utilities

In its review of Northern Minnesota Utilities' (NMU's) 1991-92 filing, the Department found that it needed more detailed information from NMU on its fuel costs and true-up calculations by both customer class and billing component. According to the Department, NMU provided this information in its 1992-93 filing.

In its review of NMU's 1992-93 filing, the Department found an error in the 1992-93 true-up calculation. The Department calculated a correct true-up factor for NMU and the new true-up factor was implemented in NMU's December 1993 monthly purchased gas adjustment as recommended by the Department.

4. NSP-Gas

In its review of NSP's 1991-92 filing, the Department was unable to reconcile NSP's gas costs with revenue for each pipeline, customer class and billing component. The Commission ordered NSP to file this information in its 1992-93 Annual Report in its decision on NSP's base cost of gas in the last NSP-Gas rate case, in Docket No. G-002/M-92-1282. According to the Department, it was able to make the necessary reconciliations for the 1992-93 reporting period.

The Department noted that as of NSP's last rate case, NSP will no longer use a three-month rolling average of its gas costs to estimate monthly purchased gas costs. NSP will use a one-month estimate which is the same method other utilities use to estimate their monthly costs.

There are still some compliance issues outstanding from NSP's 1992-93 New Services conversion filing, in Docket No. G-002/M-92-1276. When the Department has reviewed NSP's compliance filing, it will bring the issues that are still outstanding from that docket to the Commission's attention.

5. Western Gas

The Department noted several deficiencies in Western's filings:

- Annual Reports untimely filed

These reports were not filed when due, either in 1992 or 1993. Although Western requested and received time extensions to file these Annual Reports, the fact remains that Western did not file them when they were originally due. Late filing, even when allowed by the Commission granting time extensions, is unsatisfactory.

- Auditor's Reports filed late without extension

Western's 1991-92 Auditor's Report, which is required by Minn. Rule 7825.2820 on September 1, 1992, was not filed until June 23, 1993. Western's 1992-93 Auditor's Report was not filed until December 10, 1993.

Western has not asked for or been granted a rule variance to make these filings after the

² On July 29, 1993, the Commission approved an exchange of assets between Minnegasco and Midwest Gas in which Minnegasco acquired all of Midwest's Minnesota property. This exchange became effective on September 1, 1993, the closing date of the exchange.

September 1st filing deadlines. This is unacceptable. Western will be required to ask for a rule variance to have these reports accepted. The Commission's action is intended to encourage Western to file future Auditors Reports in accordance with Minnesota rules.

- Annual true-up factors calculated incorrectly

There are numerous errors and miscalculations in Western's 1991-92 and 1992-93 true-up calculations. The Department believes these errors were compounded by the lateness of Western's filings and the delayed implementation of these adjustments. However, the Department believes that through a series of phone calls and information requests it has been able to arrive at correct true-up factors for Western. The Department recommended that Western implement the corrected true-up factors as soon as possible to minimize the amount of error that will need to be corrected in Western's 1993-94 annual filings.

The Commission will require Western to implement immediately, if it has not already done so, the Department's recommended true-up corrections as described in the Department's 1993 Report on pages 34 and 35.

- Annual demand sales volumes increased without Commission approval

Minn. Rule 7825.2700, subpart 5, states that a utility must use test year sales volumes for three years after the end of the most recent rate case. In order to use a higher level of sales volumes within three years of its last rate case, Western would need a variance from Minn. Rule 7825.2700, subpart 5. Nevertheless, in December 1992, Western increased the annual demand sales volumes used to calculate per unit demand charges without asking for a variance from the Commission's rule.

The Department recommended that the Commission take this opportunity to grant Western a variance to Minn. Rule 7825.2700, subpart 5. The Department advised that all of the conditions of the Commission's variance rule (Minn. Rule 7830.4400) have been met.

- Other issues involving Western's gas cost calculations

First, Western was unable to confirm the exact level of entitlement on which it will be charged Transition Cost Recovery (TCR) surcharges. The Department made corrections to the Company's PGA calculations and will review this again when more definite information is available about how the TCR charges are assessed.

Second, the Commission approved adjustments to Western's base cost of gas as recommended by the Department in its decision in Docket No. G-012/AA-93-218. However, several issues remain outstanding with respect to that docket: Western's use of only one primary gas supplier, Western's ongoing compliance deficiencies, and Western's implementation of a gas sales agreement with Rahr Malting without prior approval from the Commission.

Finally, the Department provided a two page summary of all of the Company's PGA reporting errors for 1992-93 that resulted in erroneous rates being charged to customers. This summary can be found in Attachment 13, pages 3 and 4, of the Department's 1993 Report. The summary covers each month of the 1992-93 reporting year.

The Commission understands that the Department has given Western detailed advice and instructions on when and how to make the annual PGA filings. If Western follows the Department's advice for 1993-94 and prepares an accurate true-up adjustment on a timely basis then Western will be further along the way to complying with the Commission's automatic adjustment rules.

Summary of Action Regarding Western

The Commission will order Western to immediately implement the corrected true-up adjustment

on customer's bills and strongly encourage Western to file future Annual Adjustment Reports and true-up filings in accordance with Minnesota rules, including submitting true-ups for the designated time periods, and providing complete detailed information in its initial filings.

The Commission will also grant Western a variance to Minn. Rule 7825.2700, subpart 5. The requirements of the variance rule, Minn. Rules, Part 7830.4400, are met. Without the variance Western would be unable to increase the annual demand sales volumes which it uses to calculate per unit demand charges. In light of the fact that no public harm results from the proposed adjustment and no law prohibits it, enforcing Minn. Rule 7825.2700, subpart 5 would impose an unreasonable burden on the company.

Last, the Commission will order Western to request a variance to Minn. Rule 7825.2820 to extend the amount of time Western has to file its 1991-92 and 1992-93 annual Auditors Reports and strongly encourage Western to 1) follow the Department's advice for 1993-94 and prepares an accurate true-up adjustment on a timely basis and 2) file future Auditors Reports in accordance with Minnesota rules.

II. Comparative Data

In its ORDER ACCEPTING ANNUAL AUTOMATIC ADJUSTMENT REPORTS in Docket No. G,E-999/AA-91-653, the Commission requested the Department to provide a detailed comparative analysis of the gas rates Minnesota ratepayers were charged during the 1992-93 gas year. The comparative data provided by the Department (see the Department's 1993 Report, pages 38 - 50) complies with that requirement completely.

The Commission is very pleased to have received comparative data on the following items: rankings of Minnesota local distribution companies (LDCs) by average total customer bill, per unit total gas costs, non-gas margin, weighted average cost of gas (WACOG), per-unit demand costs, per-unit storage costs, peak-day demand requirements and load factors. In addition, the Department reviewed how close each LDC came to its monthly estimated gas cost. This information allows the first comprehensive look at how well the utilities were able to implement their gas purchasing policies and strategies.

This data, along with the Department's quarterly PGA summaries, provides the Commission with useful baseline information about the prudence of the utilities' gas purchases and other supply arrangements. The data will allow each utilities' performance to be compared to historical data and to other utilities doing business in Minnesota.

To continue the flow of this important information, the Commission will require the Department to provide the same additional reports in its Review of the 1993-94 Annual Automatic Adjustment Reports and in the 1993-94 Quarterly PGA Summaries as were provided in the 1992-93 Reports and Quarterly PGA Summaries.

In addition to this information, it would be useful if the Department's future reports provided some comparative data on the companies' experience relying on third-party (unregulated) suppliers as a result of FERC Order 636. To assist the Department in this endeavor, the Commission will direct the companies to keep separate, detailed books on the new/differing rates that are a result of the Order 636, including such costs as transition costs, penalties, storage costs, etc.

Finally, useful as they have been, the Commission believes that the Department's reports can be made even more useful. To that end, the Commission will direct the Department and Commission Staff to meet to discuss issues raised by the data and ways to illuminate that data.

III. Adequacy of Other Company Filings

A. Annual Reports on Policies and Actions Required by Minn. Rule 7825.2800

The Commission finds that the Annual Reports on Policies and Actions for 1991-92 and 1992-93 submitted by the utilities pursuant to Minn. Rule 7825.2800 meet the requirements of the Commission's Rule.

B. Annual Five-Year Projection - Minn. Rule 7825.2830

All of the electric utilities filed 5-year fuel cost projections and all of the gas utilities filed 1-year market forecasts pursuant to Minn. Rule 7825.2830. The Commission finds that these filings have met the requirements of the Commission's rules for the 1991-92 and 1992-93 reporting period.

C. Annual Notice of Reports Availability - Minn. Rule 7825.2840

Minn. Rules, Part 7825.2840 requires all gas and electric utilities to provide notice of the availability of its automatic adjustment reports to all intervenors in the previous two general rate cases by September 1 of each year.

All of the utilities except Great Plains, Interstate Power-Gas Utility, and Western Gas have indicated in their reports that adequate notice was given to the intervenors in their previous two general rate cases.

The notice rule imposed no obligation upon Great Plains and Western because there were no outside (non-state agency) intervenors in those companies' last two rate cases. With respect to Interstate, however, the company will be required to certify its compliance with the notice rule or request a variance from that requirement.

For future annual automatic adjustment filings, the Commission will require all electric and gas utilities to indicate in all future reports to the Commission that they have complied with the requirements of Minn. Rule 7825.2840.

ORDER

1. The annual reports filed by the above-named gas and electric utilities for the twelve-month period between July 1, 1991 and June 30, 1992 and for the twelve-month period between July 1, 1992 and June 30, 1993 are accepted as being in proper form and in general compliance with Minn. Rules, parts 7825.2390 through 7825.2920. In accepting these reports, the Commission neither approves or disapproves the contents of the reports or the prudence of the fuel procurement actions taken by the various utilities.
2. The Reports filed by the Minnesota Department of Public Service (the Department) are also accepted.
3. In its Review of the 1993-94 Annual Automatic Adjustment Reports and in the 1993-94 Quarterly PGA Summaries, the Department shall provide the same additional reports as it provided in the 1992-93 Reports and Quarterly PGA Summaries.

4. Interstate
 - a. In conjunction with the implementation of the revised 1992-93 true-up, Interstate shall submit an informational compliance filing showing that the Company appropriately refunded the amounts to ratepayers as required by Minnesota rules.
 - b. In the 1993-94 true-up, Interstate shall include the previous year's balance, with a cut-off date of June 30, 1994.
 - c. In its 1993-94 annual fuel filing which is due on September 1, 1994, Interstate shall include fuel cost and true-up information by both class and component.
 - d. In all future Annual Automatic Adjustment Reports to the Commission, Interstate shall state whether they have complied with the requirements of Minn. Rule 7825.2840.
5. Western
 - a. Western shall immediately implement the corrected true-up adjustment on customer's bills. Western is encouraged to file future Annual Adjustment Reports and true-up filings in accordance with Minnesota rules, including submitting true-ups for the designated time periods, and providing complete detailed information in its initial filings.
 - b. Western is hereby granted a variance to Minn. Rule 7825.2700, subpart 5, allowing the Company to increase the annual demand sales volumes which it uses to calculate per unit demand charges.
 - c. Within 10 days of this Order, Western shall request a variance to Minn. Rule 7825.2820, to extend the amount of time Western has to file its 1991-92 and 1992-93 annual Auditors Reports. Western is strongly encouraged to file future Auditors Reports in accordance with Minnesota rules.
 - d. In all future Annual Automatic Adjustment Reports to the Commission, Western shall state whether they have complied with the requirements of Minn. Rule 7825.2840.
6. In Minnegasco's next Annual Automatic Adjustment Report, the Company shall account separately for the recovery/return of Midwest's Minnesota 1994 true-up .
7. In addition, Minnegasco shall
 - a. complete any pipeline supplier refund it has started; and
 - b. petition the Commission for a variance from the 12 month time limit imposed by Minn. Rule 7825.2700, subpart 8.

8. Great Plains shall indicate in all future reports to the Commission that they have complied with the requirements of Minn. Rule 7825.2840.
9. The Department's future reports shall include comparative data on the companies' experience relying on third-party (unregulated) suppliers as a result of FERC Order 636.
10. To assist the Department in presenting the data required in Ordering Paragraph 9, the gas utilities shall keep separate, detailed books on the new/differing rates that are a result of Order 636, including such costs as transition costs, penalties, storage costs, etc.
11. The Department and Commission Staff shall meet to discuss issues raised by the data and ways to illuminate that data.
12. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)